

AMSELCO EXPLORATION INC.
MEMORANDUM

To: Pete Evans Date: August 31, 1983
From: W. L. Gunter
Subject: General Terms of Dresser Industries' Agreement with
Catawba for the 148-Acre Barite Hill Tract

When I examined Dresser's data package at Bowater's office in Catawba, South Carolina on October 19, 1982, a copy of the lease was included. The major terms were:

1. \$20,000 cash payment and a minimum \$25,000 drill commitment.
2. During the second and third years of the agreement, land costs escalate to \$40,000 per year.
3. At the time of the development stage, Catawba was to have a choice of:
 - a. A straight lease agreement with purchase of the property by Dresser for \$396,000. Catawba would retain a 5 percent override and \$2.50 per ton escalating barite royalty.
 - b. Dresser and Catawba would form a 50-50 joint venture with details to be worked out.

Dresser expended \$280,000 over a two-year period at the Barite Hill prospect. All data, including 8,900 feet of core, are now in Catawba's possession. It is fairly obvious that the land ownership and the data package with core give Catawba a strong bargaining position. This position is somewhat diluted by three factors:

1. The tract is fairly small and any significant-sized deposit will undoubtedly fall onto adjacent tracts.
2. Dresser's activities confirmed the presence of significant mineralization but were unsuccessful in blocking out a viable ore body. The best hole contained 62.5 feet (apparent) of 2.93 ppm Au and 13.15 ppm Ag (0.087 oz/t Au and 0.38 oz/t Ag).



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3. Preliminary bottle leaching tests on representative samples of ore gave the following results:

<u>Size Feed</u>	<u>Extraction (%)</u>	
	<u>Au</u>	<u>Ag</u>
-1/2 inch	39.8	48.6
-1/4 inch	45.3	47.4
-10 mesh	48.2	61.0
-100 mesh	65.2	68.2

A number of companies are interested in the Barite Hill area. Goldfields seems to be our most active competition at this time. I believe if we can acquire the Dorn tract (454 acres) which lies north and northeast of Catawba's tract, our bargaining position will be enhanced. However, I also believe it is time to resume negotiations with Catawba concerning the specific 148-acre tract.

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cc: Richard Kazda
Buzz Prescott